

North Carolina Rules Supplement

About This Supplement

This supplement addresses the North Carolina-specific material related to Home-sharing, Unmanned Aircraft and other revisions described in Rules Filing HO-2016-RDHRU and companion Forms Filing HO-2016-ODHFR. The changes described in Rules Filing HO-2016-RDHRU, while filed on a basis, will appear in state exception pages, not the Homeowners Policy Program Manual – General Rules.

In the rules exhibit, we have used a format of ~~striking-through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

Current state exceptions which are not shown in this filing will remain in effect.

New Rules

We are introducing the following state exceptions:

- ◆ Additional Rule **A10**. Broadened Home-Sharing Host Activities Coverage
- ◆ Additional Rule **A11**. Damage To Property of Others – Increased Limits
- ◆ Additional Rule **A12**. Unmanned Aircraft Exclusionary Endorsements – All Forms And Endorsements **HO 32 82** And **HO 32 10**
- ◆ Rule **524**. Other Members Of A Named Insured's Household
- ◆ Rule **605**. Other Structures Rented To Others – Residence Premises

Revised Rules

We are revising the following state exceptions:

- ◆ Additional Rule **A1**. Special State Requirements
- ◆ Rule **101**. Limits Of Liability And Coverage Relationships
- ◆ Rule **304**. Special Personal Property Coverage **HO 00 04** And **HO 00 06**
- ◆ Rule **508**. Form **HO 00 06** Units Regularly Rented To Others
- ◆ Rule **517**. Rental To Others – Extended Theft Coverage All Forms Except **HO 00 05**, **HO 00 04** With **HO 32 95** Or **HO 00 06** With **HO 32 35**

Background

In filing HO-2016-RDHRU, new and revised rules to the Homeowners Policy Program Manual Program were presented to complement the introduction of Home-sharing and Unmanned Aircraft coverage options presented in companion forms filing HO-2016-ODHFR. These new and revised rules described in filing HO-2016-RDHRU are intended to be located in the state exception pages.

Explanation of Changes

We are introducing or revising the following state exceptions in response to the new and revised Home-sharing endorsements:

- ◆ Additional Rule **A1**. Special State Requirements
- ◆ Additional Rule **A10**. Broadened Home-Sharing Host Activities Coverage. This rule introduces North Carolina-specific factors for broadened coverage for home-sharing host activities coverage.
- ◆ Additional Rule **A11**. Damage To Property of Others – Increased Limits
- ◆ Rule **101**. Limits Of Liability And Coverage Relationships. This rule, in part, retains current state-specific Paragraphs **A.1.**, **E.3.** and **F.**
- ◆ Rule **304**. Special Personal Property Coverage **HO 00 04** And **HO 00 06**. This rule, in part, retains current state specific Paragraph **C.1.** and **C.2.**
- ◆ Rule **508**. Form **HO 00 06** Units Regularly Rented To Others. This rule, in part, retains current state specific Paragraphs **A.2.** and **B.**
- ◆ Rule **517**. Rental To Others - Extended Theft Coverage All Forms Except **HO 00 05**, **HO 00 04** With **HO 32 95** Or **HO 00 06** With **HO 32 35**. This rule, in part, retains the current state-specific rule title.
- ◆ Rule **524**. Other Members Of A Named Insured's Household
- ◆ Rule **605**. Other Structures Rented To Others – Residence Premises

We are introducing the following state exception in response to the introduction of the Unmanned Aircraft endorsement:

- ◆ Additional Rule **A12**. Unmanned Aircraft Exclusionary Endorsements – All Forms And Endorsement **HO 32 82** and **HO 32 10**.

Refer to filing HO-2016-RDHRU for further details on the changes to the aforementioned rules.

RULE A1.
SPECIAL STATE REQUIREMENTS

A. Special Provisions Endorsement HO 32 32

Use this endorsement with all Homeowners policies.

B. Windstorm Exterior Paint And Waterproofing Exclusion Endorsement HO 32 86

Use this endorsement with all Homeowners policies in Territories 110 and 120.

C. Flood, Earthquake, Mudslide, Mudflow, Landslide Or Windstorm Or Hail Insurance Notice

North Carolina law provides that an insurer selling property insurance that does not provide coverage for the perils of flood, earthquake, mudslide, mudflow, landslide, or windstorm or hail shall provide a specific notice (a "warning" set forth in the related statute) to the policyholder as to which of the listed perils are not covered under the policy.

The required notice must be:

1. Provided upon issuance and renewal of each policy;
2. In Times New Roman 16-point font or another equivalent font; and
3. Included in the policy on a separate page immediately before the Declarations page.

The following warning, citing which peril is not covered, must be furnished with each new policy and upon each renewal:

"WARNING: THIS PROPERTY INSURANCE POLICY DOES NOT PROTECT YOU AGAINST LOSSES FROM [FLOODS], [EARTHQUAKES], [MUDSLIDES], [MUDFLOWS], [LANDSLIDES], [WINDSTORM OR HAIL]. YOU SHOULD CONTACT YOUR INSURANCE COMPANY OR AGENT TO DISCUSS YOUR OPTIONS FOR OBTAINING COVERAGE FOR THESE LOSSES. THIS IS NOT A COMPLETE LISTING OF ALL OF THE CAUSES OF LOSSES NOT COVERED UNDER YOUR POLICY. YOU SHOULD READ YOUR ENTIRE POLICY TO UNDERSTAND WHAT IS COVERED AND WHAT IS NOT COVERED."

D. North Carolina Joint Underwriting Association

Section XVI of the Plan of Operation of the Joint Underwriting Association (Fair Plan) sets forth the following as to "Responsibility with Respect to Cancellation or Nonrenewals":

As respects risks eligible under the Plan of Operation, each participating Insurer agrees that with respect to cancellation or nonrenewals initiated by it, it will give to policyholders, except in cases of nonpayment of premium, material misrepresentation, or evidence of incendiarism, 30 days to avail themselves of the Plan of Operation and the Insurer shall, in writing, explain to the policyholder the procedures for making application under the Plan of Operation.

E. Company Rates/State Rate Pages

References in the manual to "state company rates" means "state rate pages" in North Carolina.

F. Insert – North Carolina Endorsement HO 32 46

Use this endorsement with all Homeowners policies.

G. Home-sharing Host Activities Amendatory Endorsements

Use the following endorsements with all Homeowners policies unless Broadened Home-sharing Host Activities Coverage is purchased:

1. HO 32 43, Home-sharing Host Activities Amendatory Endorsement – North Carolina (For Use With HO 00 02)
2. HO 32 44, Home-sharing Host Activities Amendatory Endorsement – North Carolina (For Use With HO 00 03)
3. HO 32 45, Home-sharing Host Activities Amendatory Endorsement – North Carolina (For Use With HO 00 04)
4. HO 32 48, Home-sharing Host Activities Amendatory Endorsement – North Carolina (For Use With HO 00 05)
5. HO 32 49, Home-sharing Host Activities Amendatory Endorsement – North Carolina (For Use With HO 00 06)
6. HO 32 51, Home-sharing Host Activities Amendatory Endorsement – North Carolina (For Use With HO 00 08)

Refer to the Additional Rule for the requirements for Broadened Home-sharing Host Activities Coverages.

RULE A10.
BROADENED HOME-SHARING HOST ACTIVITIES COVERAGE

A. Introduction

Coverage is limited or excluded for certain rental activities conducted on the residence premises through a home-sharing network platform.

B. Coverage Description

The policy may be endorsed to provide the following optional coverages:

1. Broadened Coverage For Home-sharing Host Activities

This coverage provides broadened property and liability coverages for an insured who engages in home-sharing host activities on the residence premises.

2. Increased Limits For Home-sharing Host Activities Damage To Property Of Others

The policy provides \$1,000 of coverage for Damage To Property Of Others. This limit may be increased, for home-sharing host activities only, to \$5,000, \$10,000, \$25,000 or \$50,000. The limit selected is entered on the coverage endorsement or in the policy Declarations.

C. Type Of Home-sharing Accommodations

The three types of home-sharing host accommodation rating classifications are described below. If more than one type of accommodation will be made available, the highest applicable rating classification will apply.

1. Entire Residence Premises

Use this classification when the entire residence premises, as shown in the Declarations, will be made available for home-sharing host activities.

2. Separate Unit In A Dwelling Or Other Structure On The Residence Premises

Use this classification when:

a. The residence premises shown in the Declarations is not:

(1) A condominium,

(2) A cooperative unit, or

(3) An apartment situated in any building;

b. The named insured resides in one of the family units or other structures on the residence premises; and

c. One or more of the family units or other structures on the residence premises, wherein the named insured does not reside, such as an attached apartment or detached guest house, will be made available for home-sharing host activities.

3. Partial Or Shared Unit

Use this classification when:

a. The named insured resides in one of the family units on the residence premises; and

b. A portion of the family unit in which the named insured resides, such as a private or shared room, will be made available for home-sharing host activities.

These classifications apply regardless of whether access to certain areas of the residence premises, such as a storage area or garage, is limited or prohibited during such home-sharing host activities.

D. Premium Determination

1. Broadened Coverage For Home-sharing Host Activities

a. Determine the:

(1) Type(s) of applicable accommodations; and

(2) Total number of nights that one or more accommodations or family units will be rented;

during the policy period. Any night in which more than one rental has or will occur on the residence premises shall be counted as one night. Consideration may be given to the home-sharing host activities engaged in by an insured during the three years immediately preceding the date of application for a new policy or the preparation of a renewal policy.

RULE A10.
BROADENED HOME-SHARING HOST ACTIVITIES COVERAGE (Cont'd)

b. The premium including broadened coverage for home-sharing host activities is computed by multiplying the Base Premium by the appropriate factor selected from the following table(s):

(1) All Forms Except HO 00 04 And HO 00 06

Territories 110, 120, 130 And 140			
Number Of Nights	Type Of Home-sharing Accommodations		
	Entire Residence Premises	Separate Unit In A Dwelling Or Other Structure	Partial Or Shared Unit
<u>1-30</u>	<u>1.004</u>	<u>1.002</u>	<u>1.001</u>
<u>31-90</u>	<u>1.017</u>	<u>1.008</u>	<u>1.004</u>
<u>91-180</u>	<u>1.037</u>	<u>1.019</u>	<u>1.009</u>
<u>181 or more</u>	<u>1.075</u>	<u>1.038</u>	<u>1.019</u>

Table D.1.b.(1)(a) Factors For All Forms Except HO 00 04 And HO 00 06

Territories 150, 160, 170, 180, 190, 200, 210, 220, 230, 240, 250, 260, 270, 280, 290, 300, 310, 320, 330, 340, 350 And 360			
Number Of Nights	Type Of Home-sharing Accommodations		
	Entire Residence Premises	Separate Unit In A Dwelling Or Other Structure	Partial Or Shared Unit
<u>1-30</u>	<u>1.008</u>	<u>1.004</u>	<u>1.002</u>
<u>31-90</u>	<u>1.031</u>	<u>1.016</u>	<u>1.008</u>
<u>91-180</u>	<u>1.069</u>	<u>1.035</u>	<u>1.017</u>
<u>181 or more</u>	<u>1.140</u>	<u>1.070</u>	<u>1.035</u>

Table D.1.b.(1)(b) Factors For All Forms Except HO 00 04 And HO 00 06

Territories 370, 380 And 390			
Number Of Nights	Type Of Home-sharing Accommodations		
	Entire Residence Premises	Separate Unit In A Dwelling Or Other Structure	Partial Or Shared Unit
<u>1-30</u>	<u>1.011</u>	<u>1.006</u>	<u>1.003</u>
<u>31-90</u>	<u>1.044</u>	<u>1.022</u>	<u>1.011</u>
<u>91-180</u>	<u>1.099</u>	<u>1.050</u>	<u>1.025</u>
<u>181 or more</u>	<u>1.200</u>	<u>1.100</u>	<u>1.050</u>

Table D.1.b.(1)(c) Factors For All Forms Except HO 00 04 And HO 00 06

RULE A10.
BROADENED HOME-SHARING HOST ACTIVITIES COVERAGE (Cont'd)

(2) Forms HO 00 04 And HO 00 06

<u>All Territories</u>		
<u>Number Of Nights</u>	<u>Type Of Home-sharing Accommodations</u>	
	<u>Entire Residence Premises</u>	<u>Partial Or Shared Unit</u>
<u>1-30</u>	<u>1.014</u>	<u>1.004</u>
<u>31-90</u>	<u>1.055</u>	<u>1.014</u>
<u>91-180</u>	<u>1.124</u>	<u>1.031</u>
<u>181 or more</u>	<u>1.250</u>	<u>1.063</u>

Table D.1.b.(2) Factors For Forms HO 00 04 And HO 00 06

c. When the home-sharing host activities are conducted in a separate structure on the residence premises, refer to Rule 514.A.2. for additional charges that may apply.

2. Increased Limits For Home-sharing Host Activities Damage To Property Of Others

Refer to state company rates for the additional charge corresponding to the increased limit selected.

E. Administration

Information necessary to determine the type(s) and frequency of home-sharing host activities may be obtained from any one or combination of the following:

1. An application signed by the applicant.
2. A renewal questionnaire signed by the named insured.
3. Publically available information from one or more home-sharing websites.
4. A company's internal records.

F. Endorsement

Replace the Home-sharing Host Activities Amendatory Endorsement with the applicable Broadened Home-sharing Host Activities Coverage Endorsement corresponding to the applicable Homeowners policy:

1. HO 32 52, Broadened Home-sharing Host Activities Coverage Endorsement – North Carolina (For Use With HO 00 02)
2. HO 32 53, Broadened Home-sharing Host Activities Coverage Endorsement – North Carolina (For Use With HO 00 03)
3. HO 32 58, Broadened Home-sharing Host Activities Coverage Endorsement – North Carolina (For Use With HO 00 04)
4. HO 32 59, Broadened Home-sharing Host Activities Coverage Endorsement – North Carolina (For Use With HO 00 05)
5. HO 32 60, Broadened Home-sharing Host Activities Coverage Endorsement – North Carolina (For Use With HO 00 06)
6. HO 32 61, Broadened Home-sharing Host Activities Coverage Endorsement – North Carolina (For Use With HO 00 08)

RULE A11.
DAMAGE TO PROPERTY OF OTHERS – INCREASED LIMITS

A. Coverage Description

The policy provides a limit of \$1,000 per occurrence for damage to property of others caused by an insured. This limit may be increased to \$5,000, \$10,000, \$25,000 or \$50,000.

The limit selected is entered on the coverage endorsement or the policy Declarations.

B. Premium Determination

Refer to state company rates for the additional charge corresponding to the increased limit selected.

C. Endorsement

Use Damage To Property Of Others – Increased Limits Endorsement **HO 06 51.**

RULE A12.

UNMANNED AIRCRAFT EXCLUSIONARY ENDORSEMENTS – ALL FORMS AND ENDORSEMENT HO 32 82 And HO 32 10

A. Introduction

Liability coverage for bodily injury or property damage is currently provided in the policy form for model or hobby aircraft not used or designed to carry people or cargo. The policy may be endorsed to exclude coverage for liability related to unmanned aircraft, including model or hobby aircraft.

Liability coverage for personal injury, on a per offense basis or aggregate basis, is available by endorsement to the policy. Coverage for aircraft liability is currently provided in Personal Injury Coverage. Personal Injury Coverage may be endorsed to exclude liability for aircraft, including unmanned aircraft whether or not model or hobby.

B. Endorsements

1. To exclude liability for bodily injury or property damage in Forms **HO 00 02, HO 00 03, HO 00 04, HO 00 05, HO 00 06** and **HO 00 08** related to unmanned aircraft, whether or not model or hobby, attach Aircraft Liability Definition Revised To Remove Exception For Model Or Hobby Aircraft Endorsement **HO 34 02**.
2. To exclude liability for personal injury related to aircraft, including unmanned aircraft whether or not model or hobby on an "any one offense basis", attach Personal Injury For Aircraft Liability Excluded Endorsement – North Carolina **HO 34 14** to Endorsement **HO 32 82** – Personal Injury Coverage – North Carolina. To exclude liability for personal injury related to aircraft, including unmanned aircraft whether or not model or hobby on an annual aggregate basis, attach Endorsement **HO 34 14** to Endorsement **HO 32 10** – Personal Injury Coverage (Aggregate Limit Of Liability) – North Carolina.

C. Premium Determination

1. Endorsement **HO 34 02**

To determine the premium for this option, multiply the Base Premium by 0.996.

2. Endorsement **HO 34 14**

To determine the premium for this option, multiply the rate that corresponds to Endorsement **HO 32 82** or Endorsement **HO 32 10** by 0.90.

RULE 101.
LIMITS OF LIABILITY AND COVERAGE RELATIONSHIPS

Paragraph **A.1.** is replaced by the following:

A. Limits

The limits of liability required under the Homeowners Policy are as follows:

1. Section I – Property Damage

Coverage A – Dwelling	
HO 00 02, HO 00 03, HO 00 05 or HO 00 08	Refer to Rule 301. in the state classification pages.
HO 00 04 or HO 00 06	For HO 00 06 , refer to Rule 507.A.
Coverage B – Other Structures	
HO 00 02, HO 00 03, HO 00 05 or HO 00 08	10% of A (One- and two-family dwelling) 5% of A (Three- and four-family dwelling)
Coverage C – Personal Property	
HO 00 02, HO 00 03, HO 00 05 or HO 00 08	50% of A (One- and two-family dwelling) 30% of A (Three-family dwelling) 25% of A (Four-family dwelling)
HO 00 04 or HO 00 06	Refer to Rule 301. in the state classification pages.
Coverage D – Loss Of Use	
HO 00 02, HO 00 03 or HO 00 05	20% of A
HO 00 04	20% of C
HO 00 06	40% of C
HO 00 08	10% of A

Table 101.A.1. Property Damage Limits

Paragraph **E.1.** is replaced by the following:

E. Form HO 00 08

1. Section I

The following are the only Section I options available with this form:

- a. \$100 Section I Deductible.
- b. Higher Optional Deductibles.
- c. On- and Off-premises Theft Coverage Increase.
- d. Actual Cash Value Loss Settlement of Windstorm or Hail Loss to Roof Surfacing.
- e. Reduced Coverage C Limits; and
- f. Broadened Home-sharing Host Activities Coverage.

The following is added to Paragraph **E.:**

3. Loss Settlement Condition Endorsement HO 04 81

Actual Cash Value Loss Settlement Endorsement **HO 04 81** must be used with Form **HO 00 08**. It replaces the Repair Cost or Market Value Loss Settlement Provisions in Form **HO 00 08** with an Actual Cash Value Loss Settlement Condition.

The following is added to Rule **101.:**

F. All Forms

The limit of liability for Coverage **E** of Section **II** may be reduced to \$50,000 or \$25,000. Other limits below \$100,000 are not permitted.

RULE 304.

SPECIAL PERSONAL PROPERTY COVERAGE HO 00 04 AND HO 00 06

Paragraph **A.2.** is replaced by the following:

A. Coverage Description

2. This option may only be used when:

- a.** For Form **HO 00 04**, the apartment, dwelling or cooperative unit rented to the insured is not rented or sublet to another or used for home-sharing host activities; or
- b.** For Form **HO 00 06**, the condominium or cooperative unit is owner-occupied and not rented to others or used for home-sharing host activities.

Paragraph **C.** is replaced by the following:

C. Endorsement

- 1.** Use Special Personal Property Coverage Endorsement **HO 32 95** for use with Form **HO 00 04** only.
- 2.** Use Unit-Owners Coverage **C** Special Coverage Endorsement **HO 32 35** for use with Form **HO 00 06** only.

RULE 508.
FORM HO 00 06 UNITS REGULARLY RENTED TO OTHERS

Paragraphs A.1. and A.2. ~~is~~are replaced by the following:

A. Coverage C And Section II Liability

1. There is no coverage for Coverage C – Personal Property and Section II Liability when the residence premises is regularly rented or held for rental to others. The policy may be endorsed, however, to provide such coverage, including Theft. When the rental is considered a home-sharing host activity, refer to the requirements for Broadened Home-sharing Host Activities in this manual.
2. The Coverage C minimum limit of liability may be waived when the value of the insured's personal property in the rented unit is less than \$6,000.

Paragraph **B.** is replaced by the following:

B. Premium Computation

Multiply the Coverage C Base Premium (less the credit for higher deductibles) by a factor of .25.

RULE 517.

RENTAL TO OTHERS – EXTENDED THEFT COVERAGE ALL FORMS EXCEPT HO 00 05, HO 00 04 WITH HO 32 95 OR HO 00 06 WITH HO 32 35

The title of Rule **517. Rental To Others – Extended Theft Coverage All Forms Except HO 00 05, HO 00 04 With HO 05 24 Or HO 00 06 With HO 17 31** is replaced by the preceding title.

Paragraph A. is replaced by the following:

A. Coverage Description

The policy may be endorsed to insure against loss by theft to covered property when all or part of the residence premises usually occupied by the insured is occasionally rented, in whole or in part, to others, or is regularly or occasionally rented to roomers or boarders. When the rental is considered a home-sharing host activity, refer to the requirements for Broadened Home-sharing Host Activities in this manual.

RULE 524.

OTHER MEMBERS OF A NAMED INSURED'S HOUSEHOLD

Paragraph **B.1.** is replaced by the following:

B. Coverage Description

- 1.** The policy may be endorsed to provide coverage to a person who is a member of the named insured's household but does not fall under the definition of insured in the policy. It does not cover a guest, residence employee, roomer, boarder, tenant or home-sharing occupant. Coverage extends to the person named in the endorsement, and a person under the age of 21 who is in the legal custody of that person.

RULE 605.

OTHER STRUCTURES RENTED TO OTHERS – RESIDENCE PREMISES

Paragraph **A.1.** is replaced by the following:

A. Coverage Description

- 1.** The policy may be endorsed to provide coverage when a structure on the residence premises is rented to others for dwelling purposes. When the rental is considered a home-sharing host activity, refer to the requirements for Broadened Home-sharing Host Activities in this manual.

RULE A10.
BROADENED HOME-SHARING HOST ACTIVITIES
COVERAGE

D. Premium

2. Increased Limits For Home-sharing Host
Activities Damage To Property Of Others

<u>Limit</u>	
\$ <u>5,000</u>	\$ <u>.20</u>
<u>10,000</u>	<u>.45</u>
<u>25,000</u>	<u>1.20</u>
<u>50,000</u>	<u>2.46</u>

Table A10.D.2. Additional Charge

RULE A11.
DAMAGE TO PROPERTY OF OTHERS – INCREASED
LIMITS

B. Premium

<u>Limit</u>	
\$ <u>5,000</u>	\$ <u>.50</u>
<u>10,000</u>	<u>1.13</u>
<u>25,000</u>	<u>3.00</u>
<u>50,000</u>	<u>6.14</u>

Table A11.B. Additional Charge